



Ernie Fletcher
Governor

Mark David Goss
Chairman

LaJuana S. Wilcher, Secretary
Environmental and Public
Protection Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Teresa J. Hill
Vice Chairman

Christopher L. Lilly
Commissioner
Department of Public Protection

August 29 2006

Will Brown, Senior Project Manager
Mountain Water District
Post Office Box 3157
Pikeville, Kentucky 41502

Re: Case No. 2006-00123

Dear Mr. Brown:

On July 18, 2006, the Commission approved, subject to several conditions, the transfer of certain Mountain Water District ("Mountain District") wastewater facilities and related debt to the City of Pikeville, Kentucky. The Commission required, among other things, that Mountain District file a detailed plant and accumulated depreciation schedule for Utility Plant in Service as of June 30, 2006. On August 7, 2006, Mountain District filed such schedule.

Based upon its review of this schedule, Commission Staff makes the following requests:

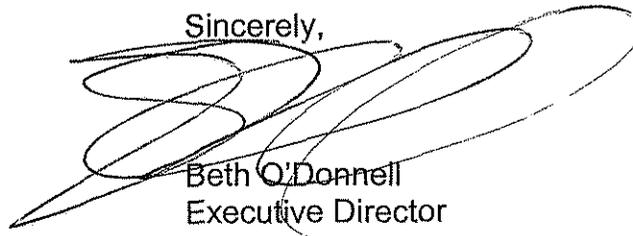
- Asset Nos. 32 and 76, which are labeled as Mains, have a useful life of 20 years. Asset No. 100, which is labeled Mossy Bottom Sewer, has a useful life of 40 years. In a previous filing with the Commission, Asset No. 100 was also labeled as Mains. Explain why Mountain District is using different useful lives for these assets.
- The asset descriptions for Asset Nos. 1 through 12, 99, and 113 do not indicate the nature of those assets. Provide a more clear description for these assets.
- The plant schedule shows an accumulated depreciation balance of \$1,439,637 as of January 1, 2006. Mountain District's Annual Report for the Year Ending December 31, 2005, however, shows an accumulated depreciation ending balance of \$1,338,570. Explain the discrepancy between accumulated depreciation on Mountain District's plant schedule and its annual report.

Mr. Will Brown
Page 2
August 29, 2006

- Mountain District is depreciating Asset No. 29 using the double declining balance method of depreciation. The Uniform System of Accounts for Sewer Utilities requires that plant be depreciated using the straight-line method. Explain why Mountain District is not using straight-line depreciation for this asset.

Commission Staff respectfully requests that Mountain District respond to these requests within 15 days of the date of this letter. If you have any questions, please call Daniel Hinton of the Commission Staff at (502) 564-3940, extension 276.

Sincerely,

A handwritten signature in black ink, appearing to be "Beth O'Donnell", written over a large, light-colored oval shape.

Beth O'Donnell
Executive Director

cc: Case File No. 2006-00123
David E. Spenard, Esq.
John N. Hughes, Esq.